



How to start a pension in Ireland

Your guide to taking charge of
your financial future

www.moneycube.ie



© Moneycube 2023. All rights reserved.

Disclaimer

Nothing in this guide constitutes financial advice. It is designed to give you an overview of pensions in Ireland as at January 2023.

The information and opinions contained in this document are derived from public and private sources which we believe to be reliable and accurate but which, without further investigation, cannot be warranted as to their accuracy, completeness or correctness.

This information is supplied on the condition that Moneybox Financial Ltd, trading as Moneycube (“Moneycube”), and any director or employee of Moneycube, are not liable for any error or inaccuracy contained herein, whether negligently caused or otherwise, or for loss or damage suffered by any person due to such error, omission or inaccuracy as a result of such supply. In particular the figures and commentary contained in this document are for overview purposes only and should not be relied upon to make financial decisions.

Moneybox Financial Ltd, trading as Moneycube, is regulated by the Central Bank of Ireland.

Registered in Ireland, company registration number 572680. Registered office: 13 Adelaide Road, Dublin 2.



Introduction

Starting your pension can save you money, increase your financial security, and take a weight off your mind, writes Ralph Benson.

You can start a pension between the ages of 18 and 75 in Ireland. In practice, most of people pay into a pension to save on income tax once we start working. The earlier you start paying into a pension, the more time your money has to grow.

Happily, it has never been easier to put a valuable pension plan in place, whether you are starting from scratch, or want to improve on your existing offering. The purpose of this e-book is to explain how.

This e-book is divided into three parts, covering the three big questions you'll want to answer in order to get started with a pension.

These questions are:

1.

What's a pension, and why do I need one?

Here, we spell out the five key factors in choosing your pension plan. If you're starting a new pension, this will help you define your requirements, from how a pension works, to how much you should put in, and how pensions can save you tax.





2.

What are your pension options?

This section surveys the pensions landscape in Ireland, and the main options when putting a pension package in place. We'll also cover how pensions are invested and drawn down at retirement, and some other financial benefits you might want to consider putting in place at the same time.

3.

Who will make it all happen?

Lastly, we explain who does what, and how to minimise the pensions admin burden on your business by using an advisor such as Moneycube.

Before we start, a health warning: nothing in this guide constitutes financial advice. It is designed to give you an overview of starting a pension in Ireland as at January 2023. Everyone's circumstances are different, and Moneycube will always provide advice specific to the situation.

When you're ready to discuss your pension plans, we'd love to hear from you.

Best wishes,

Ralph Benson

Ralph Benson

Co-founder and head of financial advice

Moneycube.ie

hello@moneycube.ie



About Moneycube

Moneycube is a leading provider of investment and pension advice in Ireland – online, by phone, and face-to-face.

Moneycube offers straight-talking, straight-forward advice on pensions and investments for regular people in Ireland.

Moneybox Financial Ltd, trading as Moneycube, is regulated by the Central Bank of Ireland.



What's coming up:

- 1: What's a pension, and why do I need one?
 - 2: What are your pension options?
 - 3: Who will make it happen?
- Conclusion: Action time!



Part 1: What's a pension, and why do I need one?

Here are five big questions people in Ireland ask when starting a pension.

What's a pension?

1.

We'll start with the fundamental one. A pension is simply a retirement savings fund with your name on it, used to pay for your retirement. Usually, you can't access your pension fund until at least the age of 60.

Your money is invested on your behalf by a pension provider. Typically a pension provider will invest your pension into company shares, bonds and property through an investment fund, in order to generate long-term growth.

Do I need a pension?

2.

For most of us, the answer is yes. Many people's retirement plans involve several sources of income, including the Irish State pension, pensions from work, other savings and investments, and personal pensions.

At just over €13,000 per year, the Irish State pension is there to provide a basic minimum income. And there's no guarantee it will remain at this level when you reach retirement.

The bottom line is, if you're looking for security, and more than the basics in retirement, you'll need to contribute to a pension. And if you don't have a pension plan through your job, it's especially important to consider how you will fund your retirement.



3.

How do pensions save me tax?

Because the Irish government wants us to save as much as possible for retirement, there are substantial tax benefits to saving into a pension. You can typically receive tax relief at your highest rate of income tax on your contributions.

If you're a standard-rate taxpayer, that means every €100 of net pay you contribute will deliver €125 into your pension pot. If you're a higher-rate taxpayer, a contribution of €100 from net pay is worth €167 in your pension.

If your employer pays into your pension (including if you run your own company), the benefits can be even greater, with savings on PRSI, USC and corporation tax to be had.

4.

How much should I put into my pension?

Putting as much as you can reasonably afford will save tax and increase your income later in life.

But don't be put off: getting started is often the hardest bit. And it's more important to make a start on your pension, than to try and fix it in one go.

Take a look at our [pension calculator](#) to see how.

When should I start my pension?

5.

Although it's almost never too late to start a pension fund, the earlier you begin paying into a pension, the better.

You'll get the benefit of investment compounding – when the growth in your pension delivers further growth, and starts to snowball. You'll also enjoy tax relief over a period of many years, meaning your investments do the heavy lifting for you, and you ultimately need to contribute less.

In fact, a contribution of €100 per month when you're 30 can have the same impact as around €450 per month when you're 50.



Part 2: What are your pension options?

There are three main kinds of pension accounts in Ireland: occupational pensions, PRSAs, and personal pensions. Each offers different advantages, from cost, to investment choice, to flexibility in terms of receiving employer payments and moving from job-to-job.

So which type of pension is right for you? We'll help you weigh the pros and cons of each choice, so you can decide on the best course.





PRSAs

A Personal Retirement Savings Account, or PRSA, is perhaps the best-known type of pension in Ireland.

A PRSA is a defined contribution plan. That means that while the amount of money paid in is clear, the value of the pension can go up (and down) over time in line with investment markets, and is not guaranteed.

PRSAs come in two flavours: standard, and non-standard. The charges on standard PRSAs are capped, and they can only be invested in investment funds. Non-standard PRSAs can invest in a wider choice of assets, and the charges are not capped.

Occupational pensions

An occupational pension is a pension plan provided by an organisation for its employees. The employer must make a contribution to the plan, and of course employees can also contribute as well.

Importantly, self-employed people who trade via their own company can avail of this type of pension (typically termed an Executive pension). See page 13 for some of the advantages of this approach.

Personal pensions

This is a pension held in your own name, independently from your job. Your employer can't contribute to this pension. It can offer wider investment choice and lower costs, so it's often the right choice for self-employed people, or people who don't receive a pension through their work.



Where is your pension invested?

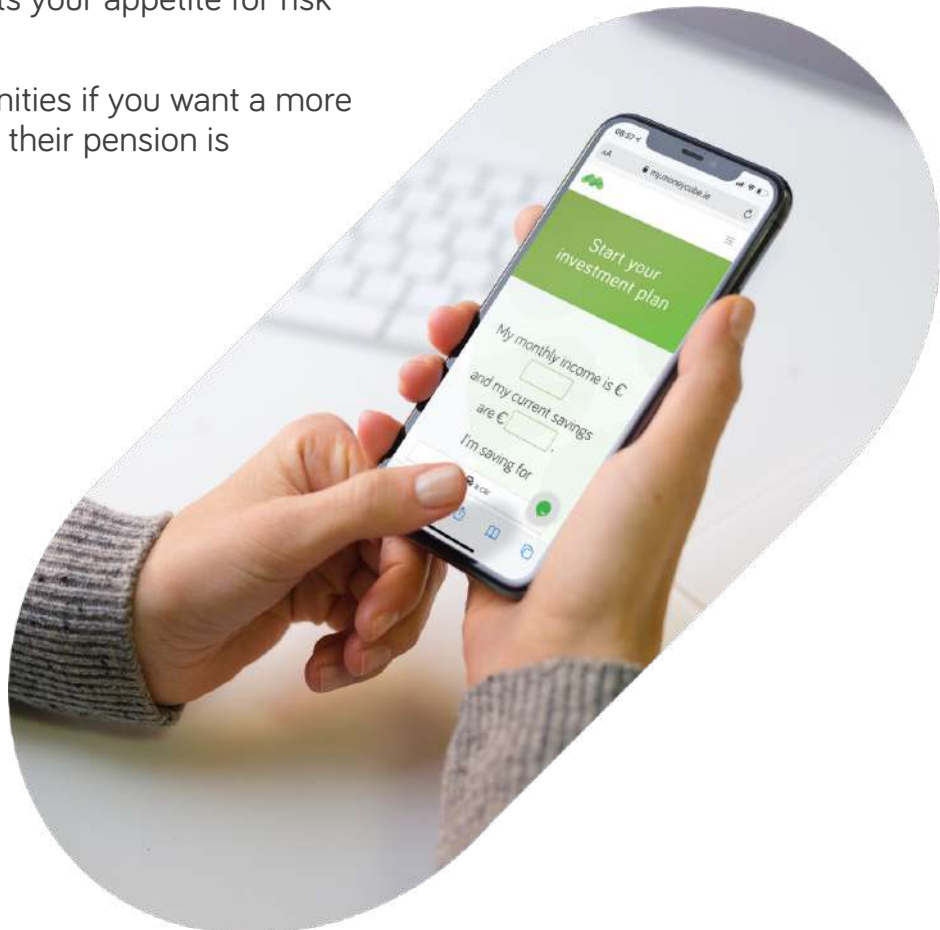
In Ireland, many pension funds are managed by an insurance company selected by the employer, in conjunction with their financial advisor.

The insurance company provides access to a range of professionally managed investment funds. In turn, funds invest in shares, bonds and other assets to maintain and grow their value over time.

At its simplest, your pension contributions can be invested in a fund, which fits your appetite for risk and reward.

But there are also opportunities if you want a more active role in deciding how their pension is invested.

This can include investing in a wide range of funds, containing company shares from all regions of the worlds, to government bonds, commercial property, and commodities such as gold, or individual company shares and other assets.



Your choice of investment fund plays a major part in delivering the returns and peace of mind a pension should offer

Choosing an investment fund

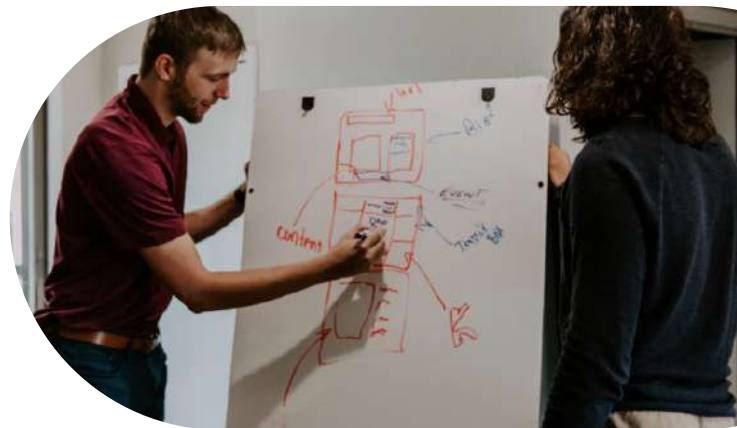
The money you add to your pension is invested in funds with the aim of growing over the long term. In finance, risk and reward are linked, and in general, funds with greater scope for growth also carry greater risk of short-term falls.

Here are three considerations in choosing your investment fund.

1. Consider your timescale. For example, if you're investing via a monthly payment with a thirty-year horizon, you can afford to take a bad year in your stride. If you need to lay your hands on this money in the near term, being able to count on it when the time comes will be more important.
2. Make sure you invest in a diversified way through a fund (or several funds) which spreads your money across lots of assets, giving your money multiple opportunities to grow.
3. Remember the fund that's right for you today might not be the one that fits the bill in five or ten years' time. Markets move on, and funds come and go. Your advisor is there to walk this path with you, optimising your pension over many years.

That's why you'll want an independent source of advice which is not tied to any single fund or pension provider in the Irish market.

Moneycube has relationships with multiple pension providers and more than 3,000 investment funds at its fingertips.





Adding financial protection

Many people choose to add additional benefits alongside their pension plan.

Chief among these are income protection and life assurance.

Income protection

Income protection pays you an income if you become unable to work – for example through sickness, or injury – over a sustained period.

Life assurance

Death in service benefit pays a lump sum – generally a multiple of salary – to the beneficiaries of your estate in the event of death.

If you and your family depend on your income, it's important to consider allocating some of your money towards protecting it if something were to happen to you.

Other financial benefits

Setting up a pension is a good time to consider your overall wealth and savings position. Here are some ways we can help:

Pensions from old jobs

You can combine or move pensions from old jobs to improve on investment strategy, cost, and accessibility.

Savings and investments

A pension is a long-term investment, but it's important to build wealth over the short- and medium term too.

Short-term, it's worth holding 3-6 months' income in cash as a rainy day fund. And if you're saving for 3 years or more, exploring a regular or lump sum investment could put your money to work.



Special considerations for owner-managers

Company owners have a unique opportunity to extract value from their company using a pension scheme.

In general, there are age-related limits on how much income tax relief you can receive on pension contributions. For example, an employee in their 40s can save income tax for pension contributions of up to 25% of their salary, up to a salary of €115,000.

However, for senior management or owner directors, it's possible to set up dedicated executive pensions, or to contribute much larger sums to a PRSA.

These plans, typically offered for a handful of senior staff in a business, can offer much more investment choice, and scope to claim income tax relief on significantly higher contributions.

As a way to extract shareholder value, it's worth taking advice on pension structures if you control a company.

Company owners have a unique opportunity to extract value from their business using a pension scheme.



Part 3: Who will make it all happen?

A successful pension scheme needs the skills of several providers.

There's a pension provider, who supply the tax-compliant accounts needed to run the pension. There are fund managers, who invest the assets of the pension plan members. For many pensions, there's an external trustee, responsible for the good governance of the pension scheme.

Above all, there's a need for someone to put all this together, make sure all the parts are working, and that you are getting the knowledgeable service you deserve.

That's Moneycube's specialty.

At Moneycube, we can help you:

- ✓ Decide how much to invest in your pension, and where to invest it.
- ✓ Open your pension account and get it up and running.
- ✓ Walk the investment road with you over the months and years that follow.
- ✓ Consider other financial needs such as savings and investments, life assurance, income protection, and estate planning.
- ✓ Decide on how to draw down your pension savings and plan your future income.



Conclusion: Action time!

Congratulations – you'll now have a good understanding of the world of pensions in Ireland.

If you want to explore your options further, we would love to help.

There's almost certainly something about your pension that we could help you improve.

Whether this is the start or the end of our financial journey together, we wish you every success in creating or improving your company pension and benefits package.

Best wishes,

The Moneycube team



Ready to discuss starting a pension? We'd love to help.

Call us directly on **01 699 1110**. Email us at **hello@moneycube.ie**

Visit our website at **www.moneycube.ie**



© Moneycube 2023

Moneybox Financial Ltd, trading as Moneycube, is regulated by the Central Bank of Ireland.

Registered in Ireland, company registration number 572680.

Registered office: 13 Adelaide Road, Dublin 2.